MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Office

August 28, 2007

Mr. Philip Isenberg
Chairman
Delta Vision Blue Ribbon Task Force
Isenberg and O'Haran
428 J Street, Suite 440
Sacramento, CA 95814

Policy Principles regarding Long-Term actions for the Sacramento-San Joaquin River Delta

In April 2006 the Metropolitan Water District Board of Directors adopted a series of policy principles relating to long-term sustainability for the Sacramento-San Joaquin River Delta. The principles serve to guide the board's deliberations on long-term solutions and new ideas as they surface. The principles also serve as a formal declaration to the public and interested stakeholder groups of Metropolitan's collaborative approach to Delta policy-making.

At the heart of Metropolitan's principles is this basic premise: Any solution for the Delta must be comprehensive and lead toward both environmental and economic sustainability. All long-term proposals for the Delta, including those from Metropolitan staff, will be weighed against these principles.

Metropolitan has a long-term plan for water sustainability, its Integrated Water Resources Plan (or IRP). This plan does not assume additional water supplies from the Delta via Metropolitan's contract with the State Water Project. Instead, the plan's focus is to increase the supplies necessary for population growth from new local sources. Reclamation, recycling, conservation and purchases from willing sellers are among the tools in the IRP for new supplies. The Delta is seen as an important source of water in wet years to help replenish groundwater basins and surface storage supplies. The goal is for the Delta to provide only 10 percent of dry-year supplies by 2025.

Metropolitan's principles for the Delta encourage all water users of the estuary to develop similar long-term water plans. The strategies for water supplies and ecosystem management in the Delta must be in harmony, not conflict. A comprehensive array of long-term water strategies by all water users will also help to accurately apportion the considerable costs necessary to both improve the Delta's water supply system and its wildlife habitat.

Delta Vision itself is an example of the kind of public, collaborative approach that is encouraged by Metropolitan's policy principles for the Delta. New laws, regulations and funding sources will be necessary as part of any comprehensive package. Only an open, public process can identify the best proposals and transform them into long-term action plan for the Delta.

Enclosed for consideration during your deliberations are copies of Metropolitan's April 2006 Delta Policy Principles and June 2007 Delta Action Plan. We continue to work diligently on this issue and will provide you additional information as it is approved by our Board.

You have been handed an important task; one that will have a profound impact on California's future. Please do not hesitate to contact me if we can provide any additional information you believe may be helpful to the Task Force.

Sincerely

Jeffrey Kightlinger
General Manager

TP:vb
c:\mydocs\rp\082707Ltr_PIsenberg

Enclosures (2)

MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

BOARD ACTION

- **Board of Directors**
  CALFED/Bay-Delta Oversight Subcommittee
  Water Planning, Quality and Resources Committee
  Communications and Legislation Committee

April 11, 2006 Board Meeting

Revised 8-3

Subject

Approve the policy principles regarding long-term actions for the Sacramento-San Joaquin River Delta

Description

Background: Recent events – including Hurricanes Katrina and Rita, the levee failure on Jones Tract and the declining abundance indices of some Delta fish species – have drawn high-level attention of California Governor Arnold Schwarzenegger, Congress, the state Legislature, the media and the public to the challenges and risks in the Sacramento-San Joaquin River Delta (Delta).

Renewed interest in protecting the Delta – as well as ongoing efforts to protect Delta species – is reflected in a wide variety of current, proposed and future efforts advanced by Governor Schwarzenegger and members of the state Legislature, including:

- Governor Schwarzenegger's 10-year action plan to redirect the CALFED Program.
- California Department of Fish and Game, U.S. Fish and Wildlife Service, and U.S. National Oceanic and Atmospheric Administration plans to develop long-term Habitat Conservation Plans/Natural Communities Conservation Plans for the Bay-Delta watershed.
- California Department of Water Resources' current development of the Delta Risk Management Study – a study due to be completed by the end of this year.
- Governor Schwarzenegger's plan to complete a long-term vision for a sustainable Delta.
- The Governor's bond proposals for 2006 and 2010,which include substantial funding for Delta improvements.
- Current legislative bond proposals, including SB 1024 (Perata, D-Hayward) and AB 1783 (Nuñez, D-Los Angeles).
- Anticipated future cost-sharing discussions to fund implementation of a long-term Delta vision and other actions.

Southern California has a significant stake in the Delta in Northern California. From a water supply perspective, the State Water Project (SWP) has made available, on average, nearly 1.5 million acre-feet each year over the past decade – representing over half of Metropolitan's imported water supplies. Supplies provided under Metropolitan's SWP contract are cost-effective – with water and conveyance costs totaling about $250 per acre-foot. Moreover, improvements in source water quality anticipated with future implementation of the Delta Improvement Package will assist Metropolitan and its member agencies with meeting future drinking water quality requirements. For the foreseeable future, the SWP will remain an important source of supply for the region.

Given the importance of the Delta to Metropolitan and other SWP contractors, Metropolitan will be engaged in the key studies, debates and decision-making regarding Delta policy. To ensure a solid foundation for development of future Metropolitan positions and to provide guidance to Metropolitan staff, this board letter recommends that the Board adopt the proposed set of Delta policy principles outlined in this letter.

LONG-TERM SUSTAINABILITY IN THE SACRAMENTO-SAN JOAQUIN RIVER DELTA POLICY PRINCIPLES OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

METROPOLITAN'S DELTA MISSION STATEMENT

Metropolitan supports actions that promote an environmentally and economically sustainable Delta in a manner that (1) ensures adequate and reliable supplies of high-quality water consistent with statewide integrated resource management practices, and (2) results in a fair and reasonable allocation of costs among all Bay-Delta watershed beneficiaries.

Metropolitan's fundamental interest in the Delta is to obtain adequate supplies of reliable, high-quality water as a key component of the diversified supply portfolio in its Integrated Water Resources Plan (IRP). Metropolitan has long recognized that success in the Delta also requires success in Southern California and the other regions of the state dependent upon the Bay-Delta watershed. Accordingly, the proposed board policies are developed from a general mission statement to more detailed policy principles which cover a wide range of success factors Metropolitan believes are important to achieving success in the Delta.

CENTRAL THEMES OF PROPOSED POLICY PRINCIPLES

The Mission Statement embodies four central themes: a focus on long-term sustainability; consistency with integrated regional planning, including Metropolitan's IRP; a fair allocation of the costs of all actions required to sustain environmental and economic uses of the Delta; and continued implementation and protection of water supplies and quality through facility improvements.

- **Develop Sustainable Long-Term Delta Vision. Limited, short-term actions in the Delta are not enough – future policies and actions must be consistent with development of a long-term, sustainable Delta vision.**

  To resolve long-standing problems in the Delta, state policy must shift from the near-term focus of recent years to a long-term focus on the sustainability of environmental and economic uses of the Delta. Over the past decade, state policies and funding have focused on limited improvements to the Delta levees, environmental conditions, water quality and other factors, with little consideration for the long-term sustainability of current uses of the Delta or for the potentially catastrophic risks and ongoing physical deterioration facing the Delta. Yet, with in-Delta fisheries' continued decline despite improvements in other fisheries in the watershed, and with the Delta's fragile levee system – an estimated two-in-three chance that a massive levee failure will occur in the Delta over the next 50 years – it is becoming increasingly clear that the state's "business as usual" policy toward the Delta is not sustainable.

  Metropolitan supports the Delta Risk Management Study being undertaken by the California Department of Water Resources (DWR) and urges that it be completed as soon as feasible. Metropolitan also supports the Governor's proposal to develop a long-term Delta vision and has recently agreed to help finance this effort. The long-term vision must consider all significant risk factors affecting the Delta, including earthquakes, floods, rising sea levels due to global warming, land subsidence, wind, invasive non-native species, water exports, and upstream discharges of contaminants affecting Delta fisheries and drinking water quality. Further, the long-term vision must provide for long-term environmental and economic uses of the Delta's land, water, and other resources. Meeting this challenge will require substantial change.

- **Promote Statewide Integrated Resource Management Actions. Through open public processes, state policy must encourage actions in the Delta and throughout California that promote improvements in water supply and water quality consistent with regional integrated resource management plans. In particular, a statewide commitment to water use efficiency and alternative local sources of supply will be essential.**

  A sustainable Delta will require improvements to environmental, water supply, water quality, and other actions both within and outside the Delta. Metropolitan, its member agencies, and subagencies have invested billions during the past two decades to adjust reliability plans to the existing availability of SWP water, which

has been limited to protect Delta fisheries and in-Delta water quality. In the past, the public policy debate over the Delta focused in large part on the need for substantial increases in diversions from the Delta to meet growing demands for water throughout the state. Today, however, Metropolitan's IRP commits to meeting growth in Southern California's water demands substantially through increased water use efficiency, local and regional supply development, and voluntary transfers of conserved water from willing sellers. Unlike the policy debates surrounding the Delta in the past, the primary supply objective of Metropolitan is to protect the existing reliability of SWP supplies to meet base water demands and replenish storage. From a water supply perspective, a sustainable Delta will require encouraging investments in local and regional supply resources and a commitment by the state to assure dependable existing supplies from the Bay-Delta watershed.

- **Long-Term Solutions Must be Cost-Effective and Fairly Apportion Costs to All Beneficiaries. Long-term Delta solutions must seek to minimize the combined costs of in-Delta and outside-the-Delta actions, including actions identified in regional integrated resource management plans. Cost-sharing agreements must reflect an equitable allocation of costs among the multiple beneficiaries of the Bay-Delta. All entities that contribute to adverse environmental impacts or benefit from Delta improvements should pay their fair share of costs. Long-term investments in the Delta must be consistent with a sound long-term vision for the Delta's physical structure to avoid the possibility of significant stranded costs.**

  Solutions to the policy challenges facing the Delta will be expensive. It is essential that state policy seek the least-cost strategies to address Delta management and that costs be apportioned fairly among all beneficiaries of the system.

  State policy should expressly seek to minimize the combined costs of actions taken with respect to emergency response to Delta levee failures. The combined costs of such emergency response actions include the costs to reduce the risk or severity and to respond to disruptions, the costs of action taken outside the Delta (e.g., for alternative sources of supply) to reduce impacts, and the damages that may occur in the event of a disruption.

  Further, the costs of Delta sustainability should be borne by all parties who benefit from or share in the responsibility for resolving problems in the Delta. These parties include, but are not limited to the following: the general public; Delta urban and agricultural landowners and users; flood protection agencies; recreation interests; users of Delta-related water; energy, rail and road transportation, and communications infrastructure; ecological interests; housing interests; business and industry; and upstream dischargers of salinity and other contaminants.

- **Pursue continued Implementation/Protection of Drinking Water Supplies/Quality Facility Improvements. Metropolitan supports continued implementation and protection of drinking water supplies and water quality in the Delta through facility improvements. Long-term policies in the Delta must be focused on cost-effective facility improvements for Delta water quality to protect public health and manage salinity.**

  Metropolitan supports improving water quality through facility developments. In particular, Metropolitan supports federal and state funding for implementation of projects and actions, including water quality, watershed protection, science and coordination. Metropolitan supports funding for the implementation of key water quality activities, including the San Joaquin River drainage and salinity management, source control programs in the Delta and its tributaries, and water treatment demonstration projects. State policy should seek to reduce concentrations of bromides and other constituents in Delta supplies. Metropolitan will continue its collaborative efforts with the South Delta Water Agency in combined flow and salinity management issues related to the South Delta Improvements Program and the San Joaquin River, along with continued participation in negotiations related to potential water quality impacts to other parties under the South Delta Improvements Program. In particular, salinity reduction in the Delta will help meet urban and agricultural regional salinity objectives.

STRATEGIC GOALS AND SUCCESS FACTORS

Accomplishing Metropolitan's Delta Mission Statement consistent with the themes identified above will require adherence to the following specific policy principles. The first four principles identify fundamental strategic goals of Metropolitan – that is, the ends we seek to achieve. The remaining nine principles identify success factors, which Metropolitan believes will be critical to successfully meet the long-term challenges in the Delta.

Fundamental Strategic Goals

1. **Improve Water Supply Reliability Consistent With Regional Integrated Resource Plans: State policy must encourage statewide development of water use efficiency and other local and regional water resources, and it must assure the long-term reliability of imported supplies upon which the state's economy continues to rely. At the same time, local and regional entities throughout California must support and improve reliability through regional integrated resource plans that invest in water use efficiency, local and regional storage, and other sources of supply.**

   The Delta is a major source of water for most of the state and the sustainability of Delta water supplies is a critical element of Southern California's water reliability. Implementation of Metropolitan's IRP has resulted in a substantial commitment to meet growing water needs through regional resource development. The state must encourage development of regional integrated resource plans throughout California to enhance investments and improvements in local supply resources. The state must further assure access to reliable, high quality imported water consistent with acceptable regional integrated resource plans.

2. **Provide for Cost-Effective Water Quality Improvement: Long-term policies regarding the Delta should assure cost-effective improvements in Delta water quality to protect public health and manage salinity.**

   Improving water quality consistent with the goals of the CALFED Record of Decision remains a critical goal for Metropolitan. Reducing concentrations of bromides and other constituents of concern in Delta supplies, in concert with actions in the south Delta, are important to protect public health. In addition, measures that reduce the salinity of Delta supplies will help meet regional salinity objectives of urban and agricultural agencies throughout California.

3. **Provide for Comprehensive and Sustainable Environmental Protection: State policy must pursue a comprehensive and sustainable environmental restoration program to protect and improve the environmental benefits provided by the Delta and its tributaries.**

   Water supply reliability for two-thirds of California is linked to the long-term environmental health of the Bay-Delta watershed. To sustain the Delta environment and fisheries, state policy must pursue a comprehensive restoration program that addresses all significant environmental stressors (see Principle 13). If sound science demonstrates that changes in SWP operations are required to protect Delta fisheries, those changes should be part of a comprehensive strategy to restore fisheries and related habitat.

4. **Complete Emergency Preparedness and Response Capability Measures: To minimize risk to disruption of water supplies in the near term, the state should complete by the end of 2006 a cost-effective Emergency Preparedness and Response Plan related to Delta levee system risks.**

   Metropolitan is committed to working with the DWR, the State Water Contractors, and other interested entities to develop emergency preparedness measures for the Delta by the end of 2006. Emergency plans should outline key actions, including those necessary to respond to levee failures, prevent salinity intrusion, and route fresh water to export pumps.

Long-Term Delta Vision

5. **Develop a Long-Term Management Vision for the Multiple Delta Uses: A "business as usual" policy will not result in a sustainable Delta. Significant change will be required. Metropolitan supports efforts to develop a long-term Delta Vision Policy by 2007 in an open public process, for management of the Delta and its many uses including environmental, water supply, water quality, agriculture, flood protection, transportation, telecommunications, urban housing, gas/oil/electrical/water conveyance, recreation, industry, and others.**

   In developing this policy, elected officials, policymakers and stakeholders must consider current and potential future uses of the Delta – including environmental, water supply, water quality, critical infrastructure, local land use, recreational and other uses – in an open public process to develop a comprehensive and cost-effective plan for the Delta's future purposes and management. Such proposed uses of Delta resources should be included in the vision only if it is determined that the overall pattern of uses can be sustained over the long term. The policy should also assure an effective emergency response to likely outages of the water supply and other infrastructure systems in the Delta in future decades.

6. **Consider All Options for Delta Land Uses, Statewide Storage Investments, and Moving Delta Water: All options for development of a long-term, sustainable Delta Vision must be considered in an open public process, including alternative land use practices in the Delta, investments in new storage for the statewide system, and alternative means of moving water.**

   Metropolitan believes that all options must be evaluated on the basis of sound and objective science, including alternative land use practices in the Delta, investments in new storage for the statewide system, and alternative means of moving water to the SWP, Central Valley Project (CVP), and other Delta diverters. Metropolitan also recognizes that following the development of a long-term Delta Vision, the full implementation of solutions will take a decade or more. In the interim, the state must manage and improve the Delta's current physical system to be consistent with the long-term vision and future investments.

7. **Ensure Consistent Investments for Long-Term Reliability and Quality: All near-term and long-term capital investments in the Delta must be consistent with the long-term vision for Delta sustainability (i.e. minimize stranded assets), and strategically focused to maintain export water supply reliability and quality.**

   While Metropolitan supports reasonable efforts to stabilize the Delta in the near-term, major federal, state and local expenditures on Delta infrastructure should be based on, and be consistent with, a broadly accepted long-term sustainability policy.

Finance and Cost Sharing

8. **Implement Least-Cost Strategies: Because solutions to this policy challenge will be expensive to taxpayers, utility ratepayers and consumers, it is imperative that the long-term Delta policy leads to the implementation of reliable, sustainable least-cost strategies. These least-cost strategies should be consistent with regional integrated water management plans, including water use efficiency actions.**

   These costs include the cost of actions to help sustain the Delta over the long term; costs to strengthen the Delta and minimize the likelihood and severity of emergency disruptions; the environmental and economic damages incurred during future levee failures in the Delta system; the cost of new surface and groundwater storage and other improvements to the state's "back-bone" water supply system; and the costs of alternative water supplies contained in regional integrated plans to help achieve Delta objectives.

9. **All Beneficiaries Must Pay Their Fair Share: All entities that benefit from Delta improvements or contribute to adverse environmental impacts should pay their fair share of costs. Cost-sharing agreements must reflect an equitable allocation of costs among the multiple beneficiaries.**

   Metropolitan recognizes that – along with other state, federal, local and private entities throughout the state that impact and/or benefit from the Delta – it has a stake in the sustainability and emergency preparedness in the Delta. At the same time, it is the Board's duty to protect Southern California water ratepayers from paying a disproportionate and unfair share of costs. Metropolitan's support for a finance plan to implement

any long-term Delta Vision is contingent upon financial participation of all parties that benefit from a more secure Delta. Metropolitan is willing to pay its fair share of the costs to address these policy challenges. These parties include: the general public; Delta urban and agricultural land owners and users; flood protection agencies; recreation interests; users of Delta-related water, energy, rail and road transportation, and communications infrastructure; ecological interests; housing interests; business and industry; and upstream dischargers of salinity and other contaminants.

10. **Secure State & Federal Funding Contributions for Broad Public Benefits: The broad public benefits of actions to sustain the Delta should be funded with continued contributions from the State General Fund, general obligation bonds, and federal appropriations for the implementation of Delta-related policies.**

    While Metropolitan recognizes that exclusive reliance on public funds is no longer realistic, since the Delta provides a broad array of public benefits, state and federal funds should continue to be a primary financial resource for actions to maintain and improve the system.

11. **Encourage Continued Regional Investments: State policy should encourage continued statewide implementation of local and regional investments, consistent with the policies of local and regional water supply agencies.**

    The long-term Delta policy should reflect that, in many instances, local and regional investments in resources outside the Delta – such as Metropolitan's and its member agencies' substantial past and ongoing investments in conservation, recycling, groundwater recovery, brackish and ocean water desalination and regional surface and groundwater storage – contribute toward protecting the Delta. Moreover, local and regional investments help ensure water supply reliability in the event of an outage in the Delta water supply.

Process

12. **Promote An Open, Collaborative Public Process: Development, funding, and implementation of the long-term Delta Vision should be developed through an open, collaborative public process. Any statutory, regulatory, or funding components of the plan should reflect the outcome of the collaborative process among entities that will be expected to contribute to the plan.**

    Effective implementation and financing of a long-term Delta policy and projects will require strong and sustained support from the entities affected by and expected to pay. Accordingly, the policy, projects and finance plan should be developed collaboratively with full participation by affected entities and should ultimately be supported by the governing bodies of those affected entities.

13. **Base All Actions on Sound and Comprehensive Science: All near-term and long-term actions implemented pursuant to the plan, including environmental restoration actions, investments in new surface and groundwater storage, and improvements in the means of moving water to the SWP, CVP, and all other users of supply, should be based on sound, objective and comprehensive science and technical information.**

    All scientific and technical conclusions should be subject to impartial and objective peer-review by nationally or internationally recognized scientists and/or technicians. Sound science must be the basis to pursue comprehensive solutions to the environmental challenges in the Delta. Delta sustainability requires a comprehensive approach that addresses all significant environmental stressors.

Policy

The Board of Directors adopted a position of support for the year 2000 CALFED Record of Decision, which included a preferred Through Delta Conveyance solution for the Sacramento - San Joaquin Bay Delta. This position was supportive of CALFED's strategy to pursue the Through Delta Conveyance solution in its Stage 1 implementation, which generally included the first seven years of the program, as well as focused levee improvements. It was recognized that upon completion of Stage 1, the ability to implement this solution would be assessed and that subsequent alternative implementation actions could be pursued.

California Environmental Quality Act (CEQA)

CEQA determination for Staff Recommendation:

The adoption of the proposed policy principles is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). Furthermore, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

The CEQA determination is: Determine that adoption of policy principles is not subject to CEQA pursuant to Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

Staff Recommendation

Adopt the CEQA determination and the policy principles regarding long-term actions for the Sacramento-San Joaquin River Delta as described in this board letter.
Fiscal Impact: None

Stephen N. Arakawa 3/30/2006
Stephen N. Arakawa *Date*
Manager, Water Resource Management

4/4/2006
Jeffrey Kightlinger *Date*
General Manager

BLA #4382

MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

BOARD ACTION

- **Board of Directors**
  Water Planning and Stewardship Committee

June 12, 2007 Board Meeting

8-6

Subject

Adopt proposed framework for Metropolitan's Delta Action Plan

Description

Overview. At the Metropolitan Board of Directors Retreat on April 13–14, 2007, the Board held a policy discussion focused on the following key Bay-Delta issues:

- What are Metropolitan's key interests in the Delta?
- What is the plan for meeting future regional needs?
- What are the components of a Delta fix?
- What are the timelines, drivers and strategies for moving forward?

The core of the Board discussion was a proposed framework for directing Metropolitan's staff actions on Delta-related issues. This framework is comprised of the following three components:

- Short-Term Action Plan. Actions over next 18 months to secure short-term permits for operating the State Water Project Banks pumping plant and avoiding incidental take of threatened or endangered species; implementing/funding a Delta Levee Emergency Preparedness and Response Plan; and selection and approval of key elements of the Bay-Delta Conservation Plan and long-term Delta Vision.
- Mid-Term Action Plan. Actions prior to a long-term Delta solution to secure long-term operating permits for the State Water Project under the Bay-Delta Conservation Plan; develop an implementation plan and environmental documentation for the preferred long-term Delta Vision; and implementation of early start "no regrets" ecosystem restoration projects.
- Long-Term Action Plan. Actions to fully implement, govern and finance the elements of a long-term Delta Vision. These elements include water quality/supply infrastructure, Delta habitat protection and restoration, flood control and levees, and others.

Components of a Delta Fix. The Governor has identified statewide water policy as a high priority by establishing the Delta Vision Process and the Bay-Delta Conservation Plan. Similarly, the legislative leadership in the California Senate indicates through Senate Bill 27 its intent to make a decision about the Delta using the recent Public Policy Institute of California report (PPIC report) as a framework for decision-making. The PPIC report identifies two categories of alternatives for securing long-term environmental and water supply solutions in the Delta: (1) Fluctuating Delta Alternatives with a fluctuating-salinity Delta and an isolated conveyance fresh-water facility; and (2) Reduced-Export Alternatives that accomplish desired flows and salinity for the aquatic environment through reduced exports. A full analysis of these alternatives is being completed through the Bay-Delta Conservation Plan and Delta Vision process.

Preliminary staff analysis of the alternatives indicate that the Fluctuating Delta Alternatives have promising environmental and water supply reliability performance but would require major capital investments in the Delta and would require the support of a statewide coalition of urban, agricultural, environmental, and business interests. The Reduced-Export Alternatives would require lower capital investments in the Delta but would cause a substantial water loss to the State Water Project and Central Valley Project contractors.

Timeline/Milestone. Staff is planning monthly updates to the Board on Delta-related processes and will seek Board action on key issues including:

- Bay-Delta Legislation – funding for emergency preparedness and response actions; funding and governance for new Delta facilities; and continued funding for Delta ecosystem restoration actions.
- Administrative Decision Processes – selection of a long-term Delta Vision Alternative, approval and implementation of the Bay-Delta Conservation Plan, and implementation of the Delta Levee Emergency Preparedness and Response Plan.
- Legal and Regulatory Decisions – potential action on the decisions involving the California and Federal Endangered Species Act (CESA) litigation; approval of biological opinions for the Central Valley Project/State Water Project Delta pumping plants operations, and long-term assurances.

Attachment 1 provides an executive summary of the proposed framework for a Delta Action Plan. A more detailed description of the key issues that are scheduled to come before the Board, and of Metropolitan's proposed Delta Action Plan are included in **Attachment 2** entitled Report on Metropolitan's Delta Action Plan.

Policy

By Minute Item 46637, dated April 11, 2006, and Minute Item 45753, dated May 11, 2004, the Board adopted a set of Delta policy principles to ensure a solid foundation for development of future Metropolitan positions and to provide guidance to Metropolitan staff. This board letter follows those policy principles in guiding development of Metropolitan's Delta Action Plan.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because the proposed action involves continuing administrative activities such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines). For future, and not yet known, proposed projects associated with the Delta Action Plan, the appropriate lead agencies will be responsible for complying with all applicable federal and state environmental laws and regulations..

The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and support, in principle, the proposed Delta Action Plan.

Fiscal Impact: A full financial analysis of these options will be developed, and brought back to the Board, as the specific elements under each option become more defined.

Business Analysis: The Delta Action Plan calls for analyzing alternative strategies for reducing long-standing conflicts in the Delta and improving water reliability, water quality, levee stability, and the environment. A full business case analysis will be developed, and brought back to the Board, as the specific elements under each option become more defined.

Option #2

Do not support the proposed Delta Action Plan.

Fiscal Impact: Unknown

Business Analysis: This would increase the risks associated with providing a reliable water supply from the State Water Project.

Staff Recommendation

Option #1

5/25/2007
Stephen N. Arakawa *Date*
Manager, Water Resource Management

5/25/2007
Jeffrey Kightlinger *Date*
General Manager

Attachment 1 – Metropolitan Water District Delta Action Plan

Attachment 2 – Report on Metropolitan's Delta Action Plan

BLA #5474

Metropolitan Water District
Delta Action Plan

I. Overview

The Delta is the hub of California's water supply and is critically important to the entire State. The Delta is in a state of ecological crisis and is not sustainable unless action is taken. Building a sustainable Delta will require significant investment and will take decades. The Delta Action Plan must prioritize immediate short-term actions to stabilize the Delta while an ultimate solution is selected, and mid-term steps to maintain the Delta while the long-term solution is implemented. By 2020, California should have a long-term solution for the Delta in place that can be adjusted and adaptively managed to deal with the coming changes from climate change and California's continued population growth.

II. Short-Term Action Plan

The Governor's Delta Vision Process calls for a recommendation from the Delta Vision Blue Ribbon Task Force to be made by January 2008. SB 27 (Simitian, et al.) urges the Task Force to make its recommendation based on the findings of the Public Policy Institute of California Delta report (PPIC report) for legislation to be enacted in 2008. While 2008 will be the year for selecting a course of action on the Delta, actions must be taken over the next 18 months to stabilize the current situation. These actions include the following: securing state and federal Endangered Species Acts take authorization; emergency preparedness steps to prepare for possibility of catastrophic failure in the event of earthquake or flood; actions to enhance habitat for Delta smelt and other pelagic species; completion of the Bay-Delta Conservation Plan (BDCP); and actions to begin work on ecosystem restoration projects that will help species regardless of which ultimate solution is selected (e.g., marsh restoration, island rebuilding.)

III. Mid-Term Action Plan

Upon selection and enactment of an ultimate Delta solution, it will likely take ten years or more to complete environmental documentation and construct new facilities. During this period, it will be necessary to maintain the stabilization process of the Delta through the following actions: continue implementation of the BDCP projects; continue with selected habitat and fishery improvements to improve Delta native species; begin implementing flood control protections, including bypasses and levee improvements; finalize site selection and environmental documentation for new storage projects; implement new governance structures for managing the Delta; and undertake implementation of the long-term Delta solution.

IV. Long-Term Action Plan

The Long-Term Action Plan must take a global, comprehensive approach to the fundamental issues and conflicts in the Delta to result in a truly sustainable Delta. A piecemeal approach cannot satisfy the many stakeholders that have an interest in the Delta and will fail; there must be a holistic approach that deals with all issues simultaneously. In dealing with the basic issues of the Delta, solutions must address the physical changes required, as well as the financing and governance. There are three basic elements that must be addressed: Delta ecosystem restoration; water supply conveyance; and flood control protection and storage development.

A. **Delta Ecosystem Restoration** – A complete Delta restoration plan must address land use, growth, agriculture, water usage and conveyance, and the aquatic and land habitat of the Delta through the following elements:

- **Bay-Delta Conservation Plan** – the BDCP is a subset of Delta restoration primarily focused on the aquatic environment of the Delta and will address fishery issues;
- **Habitat Land Acquisition and Restoration** – a portion of the Delta will need to be restored to native marsh habitat for protection of aquatic and terrestrial species;

- **Sustainable Agriculture –** programs will be needed to maintain sustainable agriculture within the Delta in ways that limit oxidization of soils, rebuild Delta islands, limit carbon production, improve water quality and provide habitat opportunities;
- **Governance –** management of Delta restoration will require a governance structure such as a conservancy or special district that has financing and land use powers and can manage a program within multiple counties;
- **Financing –** costs of restoration must be shared by multiple parties with water exporters and other utilities helping finance the BDCP, the state paying for broad public benefits, developers within the Delta area paying for development rights, etc.

B. Water Supply Infrastructure – The current practice of using Delta channels and levees for water conveyance is not sustainable. Delta species require fluctuating salinity levels that will be harmful to drinking water quality. The levees are unstable and pose a constant threat of collapse. In addition, global warming threatens water supply with rising sea levels and increased flooding. Either new Delta conveyance infrastructure must be constructed or there will be significant reductions in Delta exports requiring new water facility development elsewhere to replace lost water supplies. Important elements of this needed infrastructure include:

- **Isolated Facility –** If water supply is to be maintained, that water must be separated from Delta water supplies through construction of an isolated facility either in or around the Delta. The three isolated facility alternatives in the PPIC report must be analyzed to determine which performs best for water supply reliability, is cost-effective, protects against earthquakes and floods, provides water quality, deals with rising sea levels and allows for Delta salinity fluctuation for native species protection.
- **Eco-Delta/Reduced Exports –** If an isolated facility is not constructed, the PPIC Report recommends that a fluctuating salinity Delta be achieved primarily through a reduction in water exports. This approach must be thoroughly analyzed to determine the economic consequences of loss in water supply, whether reduced exports will actually protect species, and identify additional water supply facilities that would be required.
- **Governance –** Management of the State Water Project should be given to a separate agency tasked with the single mission of managing and operating the Project. This would separate the utility function from the Department of Water Resources thereby removing conflicts within DWR in its role of operating a utility for certain contractors while providing statewide water planning. Appropriate forms of such an independent agency include a special district or a joint powers authority. This new entity would continue to be regulated by state and federal agencies and all applicable laws.
- **Financing –** State and federal water contractors should pay for the operation and management of the water supply projects, including construction of new water infrastructure such as an isolated facility. A state decision to reduce exports should be financed by the state including payment for lost agriculture lands and financing for replacement of water supplies.

C. Flood Control and Storage – The third component of a comprehensive approach would be construction of flood control and storage facilities. These actions would include levee hardening in critical areas, construction of bypasses to deal with increased runoff associated with climate change and construction of more storage, either surface water or groundwater storage.

- **Governance** – No new governance structure is recommended for this component. Existing agencies such as the Army Corps of Engineers, the Bureau of Reclamation, and DWR should manage the flood control projects. New storage facilities should be managed by the agencies that construct them.
- **Financing** – The state and federal governments should be responsible for the costs of flood control facilities. New storage facilities should be financed by the beneficiaries of those projects with state financing for the broad public benefits associated with those projects.

Report on
Metropolitan's Delta Action Plan

I. Overview

At the Metropolitan Board of Directors Retreat on April 13–14, 2007, the Board held a policy discussion focused on the following key Bay-Delta issues:

- What are Metropolitan's key interests in the Delta?
- What is the plan for meeting future regional needs?
- What are the components of a Delta fix?
- What are the timelines, drivers and strategies for moving forward?

The core of the Board discussion was a proposed framework for directing Metropolitan's staff actions on Delta-related issues. This framework is comprised of the following three components:

- Short-Term Action Plan. Actions over the next 18 months to secure short-term permits for operating the State Water Project Banks pumping plant and avoiding incidental take of threatened or endangered species; implementing/funding a Delta Levee Emergency Preparedness and Response Plan; and selection and approval of key elements of the Bay-Delta Conservation Plan and long-term Delta Vision.
- Mid-Term Action Plan. Actions prior to a long-term Delta solution to secure long-term operating permits for the State Water Project under the Bay-Delta Conservation Plan; development of an implementation plan and environmental documentation for the preferred long-term Delta Vision; and implementation of early start "no regrets" ecosystem restoration projects.
- Long-Term Action Plan. Actions to fully implement, govern and finance the elements of a long-term Delta Vision. These elements include water quality/supply infrastructure, Delta habitat protection and restoration, flood control and levees, and others.

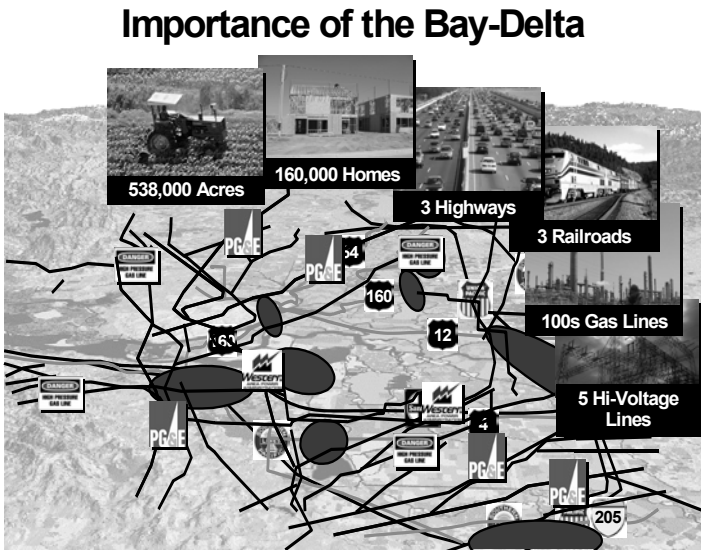
The Governor has identified statewide water policy as a high priority by establishing the Delta Vision Process and the Bay-Delta Conservation Plan. Similarly, the legislative leadership in the California Senate indicates through SB 27 its intent to make a decision about the Delta using the recent Public Policy Institute of California report (PPIC report) as a framework for decision-making. The PPIC report identifies two types of alternatives for securing a long-term environmental and water supply solutions in the Delta: (1) Fluctuating Delta Alternatives with an isolated conveyance fresh-water facility; and (2) Reduced-Exports Alternatives that accomplish desired flows and salinity for the aquatic environment through reduced exports. A full analysis of these alternatives is being completed through the Bay-Delta Conservation Plan and Delta Vision process.

Preliminary staff analysis of the alternatives indicate that the Fluctuating Delta Alternative has promising environmental and water supply reliability performance but would require major capital investments in the Delta and would require the support of a statewide coalition of urban, agricultural, environmental, and business interests. The Reduced-Export Alternative would require relatively low capital investments in the Delta but would result in a substantial water loss to the State Water Project and Central Valley Project contractors.

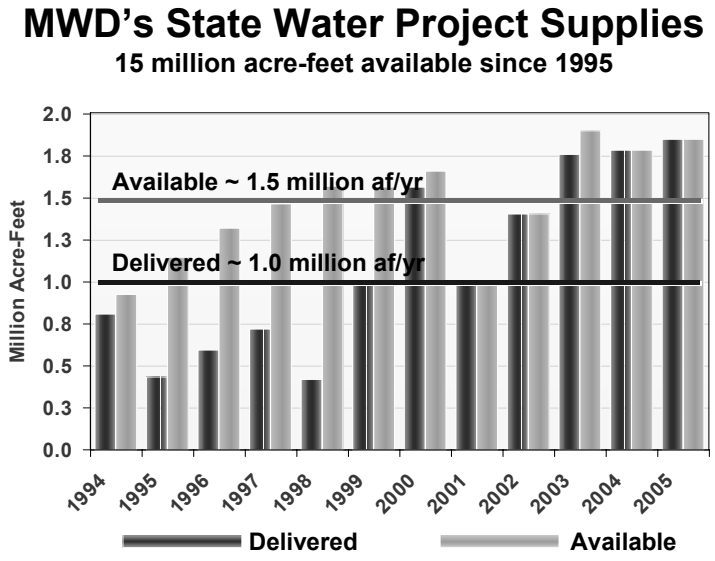
II. Metropolitan's Interests in the Delta

The Bay-Delta has been referred to as the hub of California's water system. It provides water supply to two-thirds of California's population (22 million residents), including urban population centers in the Bay Area, Central Coast, and Southern California. It also provides water supplies to agricultural lands that irrigate 45 percent of the fruits and vegetables produced in the United States. From an ecosystem standpoint it is the largest estuary on the west coast of North and South America. Its waters are home to over 500 species, including five fish species listed on the Endangered Species Act. In addition to its water-related importance, its

transportation and utility infrastructure is critical for maintaining reliable goods movement and energy throughout the Pacific power grid system.

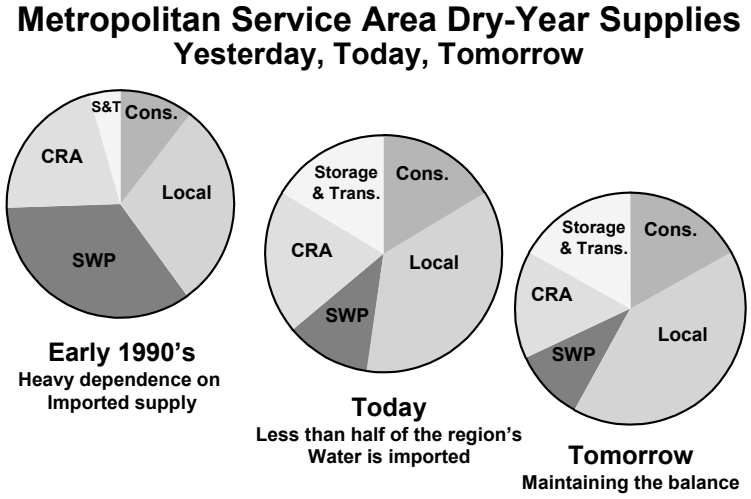


In 1960, Metropolitan signed a contract with the state of California to supply up to 2.011 million acre-feet of water per year to Southern California. Over the last decade, the State Water Project has made available approximately 15 million acre-feet to Metropolitan, with Metropolitan taking approximately 10 million acre-feet. Many of Metropolitan's local infrastructure investments heavily rely on Delta water supplies including groundwater and surface storage programs (e.g. Chino Basin, Arvin Edison, Diamond Valley Lake), and local conveyance (Rialto Pipeline, Inland Feeder Pipeline). The total cost of this supply, including power, is currently approximately $250 per acre-foot. Metropolitan's repayment of revenue bonds for the State Water Project runs through 2035. Payments for SWP capital facilities are made on a "take-or-pay" basis (i.e., these charges must be paid regardless of the amount of water delivered). Past payments (through 2006) amount to nearly $8 billion and Metropolitan will be required to pay another $15 billion through 2035 under its State Water Contract.

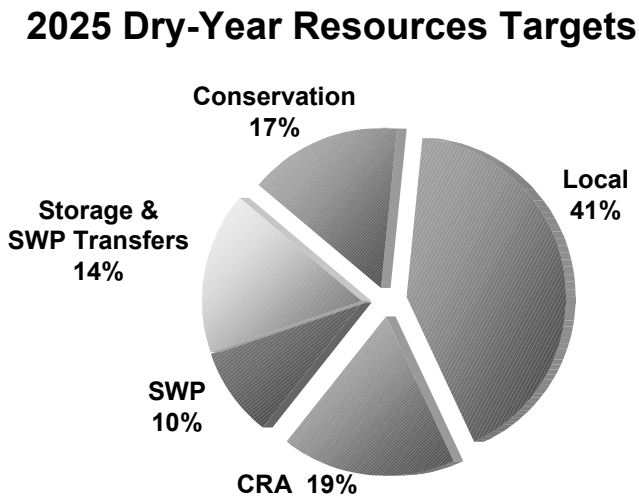


III. Meeting Future Regional Needs

Metropolitan's plan for meeting its service area supply needs has changed significantly over the last two decades. In the early 1990s, Metropolitan's long-term plans called for a heavy dependence on imported supplies from the Colorado River and Bay-Delta during dry periods. Today, under the Integrated Resources Plan adopted by the Board in 1995, less than half of the region's water is imported during those dry periods, with only about ten percent of dry-year water delivered directly from the Delta. Through recent investments in local groundwater and surface storage, Metropolitan and its member agencies have been better able to capture and store wet-year flows from the SWP, thereby reducing environment pressures on the Delta and its fisheries during dry periods.



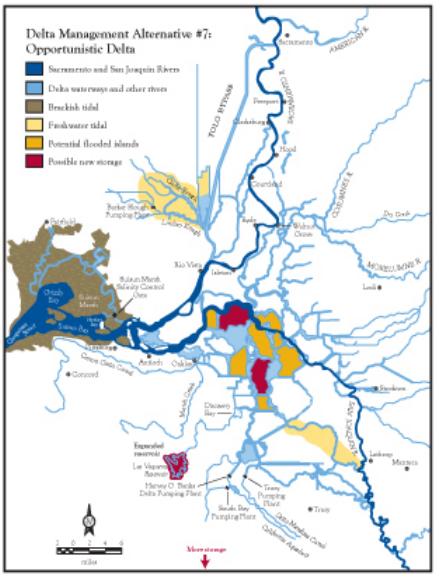
Metropolitan's Integrated Resources Plan commits to meeting future growth in Southern California's water demands substantially through increased water use efficiency, local and regional supply development, and voluntary transfers of conserved water from willing sellers. Unlike the policy debates surrounding the Delta in the past that were focused on getting more water out of the Delta, the primary supply objective of Metropolitan is to protect the existing reliability of SWP supplies to meet base water demands and replenish storage.



IV. Components of a Fix

In February 2007, the Public Policy Institute of California published a report entitled "Envisioning Futures for the Sacramento-San Joaquin Delta". The report analyzes nine alternatives that are summarized into three categories– maintaining the Delta as a fresh water body, restoring natural fluctuating tidal and salinity patterns in the Delta, and reducing water supplies from the Delta to improve fish hydrology. Out of the nine alternatives, four were eliminated due to poor environmental performance and high water costs. The remaining five alternatives can be achieved through one of two methodologies: (1) Fluctuating Delta Alternatives, and (2) Reduced-Export Alternatives.

A. **<u>Fluctuating Delta Alternatives</u>**. These alternatives include construction of an isolated open water channel to convey fresh water to the export facilities in the South Delta; investments in aquatic and riparian habitat in the Suisun Marsh, Cache Slough, and Yolo Bypass areas; and restoring natural tidal and salinity patterns in the Delta. The advantages of these alternatives include:

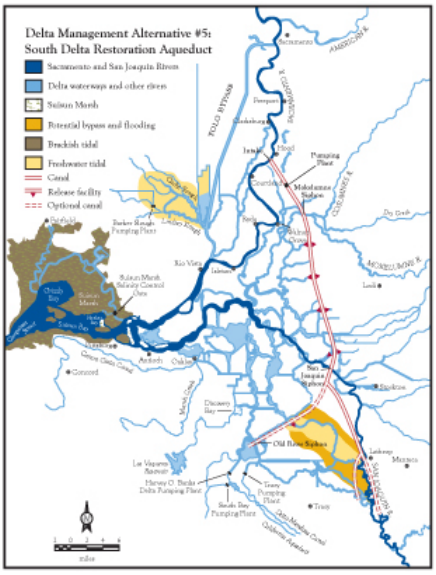


- Promising environmental performance
- Maintenance of existing water export reliability
- Significant improvements in source water quality
- Reducing water supply risks due to earthquake or flood over topping of levees
- Continued water transfer and local surface and groundwater storage programs

The disadvantages of these alternatives include:

- Major capital investments in the Delta. Early estimates of an isolated, open water conveyance channel could cost up to $4 billion. Metropolitan would be required to pay its share of these costs and additional costs for environmental enhancements.
- Challenging political differences

B. **<u>Reduced-Export Alternatives</u>**. These alternatives maintain reliance on through-Delta fresh water conveyance, improve fish hydrology through export reduction, and attempts to restore natural tidal salinity fluctuations in the western Delta. The advantages of these alternatives include:



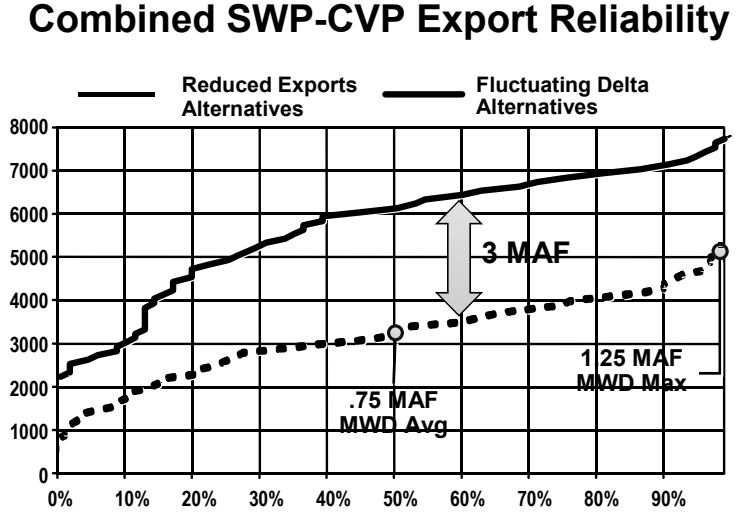
- Relatively low capital investment in the Delta
- Fluctuating salinity in the western Delta

The disadvantages of these alternatives include:

- Environmental effectiveness unclear, according to the PPIC report
- Substantial water loss to SWP and CVP contractors (Metropolitan's loss is estimated to be as much as 750,000 acre-feet per year on average)
- Substantial increase in local resource investments to meet future growth and replace lost supply
- Stranded infrastructure investments (Metropolitan, member agencies, others)

C. **<u>Water Loss Analysis of Reduced-Export Alternatives</u>**. The water loss estimate of the Reduced-Export Alternative is based on a computer modeled, operations simulation analysis of a proposal by Dr. Peter Moyle (Biology Professor, UC Davis) and Dr. Tina Swanson (senior scientist, The Bay Institute) entitled "Recommendations for Actions to Protect Delta Smelt" dated March 13, 2007. The analysis shows how long-term SWP-CVP export reliability would be reduced if the proposal were implemented. In summary, the computer modeling shows that export reductions would vary by water year type (3.1 million acre-feet in above normal to below normal years, and 1.2 million acre-feet in critical years). However, percent export reduction would be similar regardless of water year type (48 percent in above and below normal water years, and 39 percent in wet years).

On average, Metropolitan would receive 750,000 acre-feet less (a 50 percent reduction) than the 1.5 million acre-feet it currently receives from the SWP on average. Metropolitan's maximum supply during wet years would be reduced from approximately 1.9 million acre-feet to 1.25 million acre-feet. The reduction in wet year supplies would affect Metropolitan and its member agencies ability to refill local groundwater and surface storage accounts. Continued detailed analysis of the types of solutions that would be used in the reduced export approach will be conducted to determine the variability in potential losses under different scenarios.

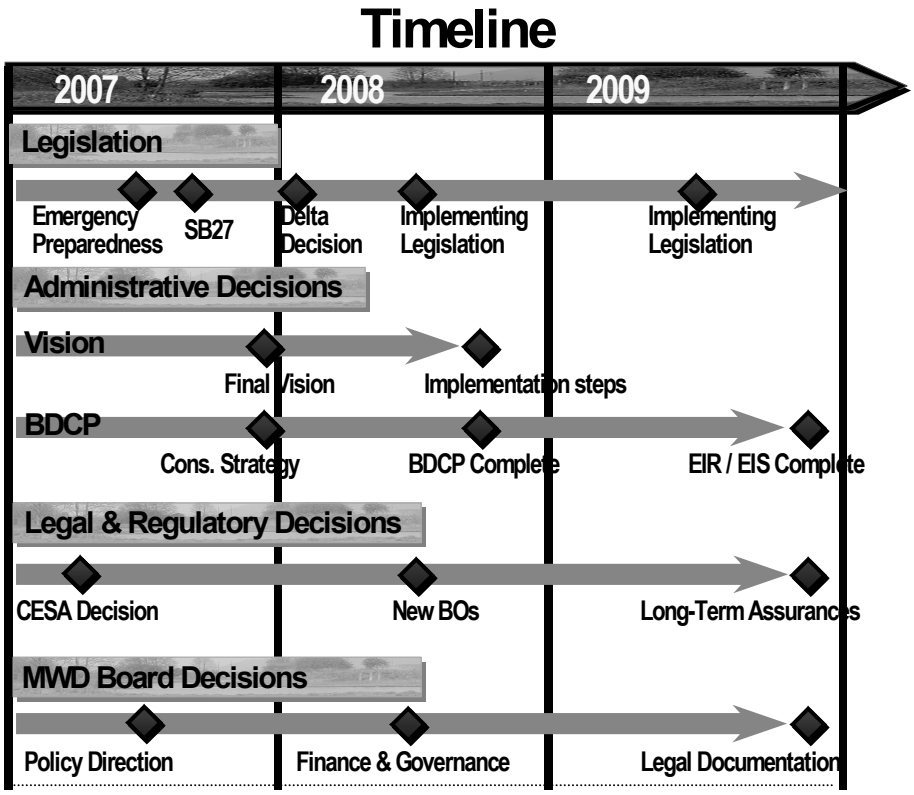


Staff is conducting a more detailed inventory of potential local resources projects and water use efficiency measures that could be implemented to mitigate delta supply losses. It is anticipated that this analysis will provide more specific information on the types of projects, implementation schedules, and costs. This replacement water analysis on feasibility and costs will be developed and brought to the Board.

V. Timeline

Over the next three years, a number of key decisions will be made on the future of the Bay-Delta. These decisions include:

- Bay-Delta Legislation – funding for emergency preparedness and response actions; funding and governance for new Delta facilities; and continued funding for Delta ecosystem restoration actions.
- Administrative Decision Processes – selection of a long-term Delta Vision Alternative, approval and implementation of the Bay-Delta Conservation Plan, and approval and implementation of the Delta Levee Emergency Preparedness and Response Plan.
- Legal and Regulatory Decisions – potential action on the decisions involving the California and Federal Endangered Species Act litigation; approval of biological opinions for the Central Valley Project/State Water Project Delta pumping plants operations, and long-term assurances.



VI. Short-Term Action Plan

A short-term action plan is intended to implement immediate actions while the Delta Vision Process develops a long-term solution. The focus of the short-term action plan over the next 18 months is to: (1) reduce risks in the Delta due to potential levee collapse from an earthquake or flood, or to pump shutdown due to permit challenge or fishery species management issue; (2) move forward with short-term actions to reduce incidental take, secure ESA permits, and address the immediate pelagic organism decline crisis; and (3) selection and approval of key elements of the long-term Bay-Delta Conservation Plan and Delta Vision.

A. Actions To Secure Endangered Species Act Permits

A1. Acquire authorization for Incidental Take for the SWP under the Federal and California Endangered Species Act. Authorization for incidental take under the state and federal Endangered Species Acts are in litigation in both state and federal courts. In a recent decision, the Alameda Superior Court in *Watershed Enforcers v. California Department of Water Resources (DWR)* found that DWR does not have authorization for incidental take under the CESA and ordered all pumping to cease within 60 days unless DWR acquires incidental take authorization. The order is currently under appeal by DWR.

DWR's operation of the SWP also is subject to the Federal Endangered Species Act (FESA) take prohibition, and receives incidental take authorization through Section 7 consultations and biological opinions. The biological opinions have been found to be inadequate in a ruling in United States District Court. In addition, due to new listings and changed conditions, particularly with regards to Delta smelt, both biological opinions are the subject of new consultations and will be revised regardless of the legal challenges.

B. Actions To Reduce Incidental Take of Delta Smelt. DWR has been discussing implementation of the Environmental Water Account (EWA) for 2008 to assure that EWA is fully functional to assist in avoiding take of Delta Smelt. EWA implementation will include:

B1. **Environmental Water Account (EWA) Assets**. EWA procedures call for purchasing between 210,000 and 250,000 acre-feet of water per year in the water markets. To assure that EWA has assets consistent with the 2004 Biological Opinions, the State Water Project could purchase water for EWA to meet its purchase target if EWA is unable to procure the water in the market and needs the water for Delta Smelt protection.

B2. **Increased Monitoring and Real-Time Operations**. DWR will revise real-time monitoring in the Delta, particularly with the installation of additional turbidity monitors. Based on recent analysis by Metropolitan staff, this could result in significant improvements in the effectiveness of EWA operations, allowing operators to react earlier and more efficiently to conditions that threaten Delta smelt and avoiding water losses when pumping reductions would not likely have biological benefits.

B3. **EWA Ability to Pay Back Water with Surplus Pumping**. EWA rules specify that the EWA cannot pay down water debt to the SWP in San Luis Reservoir by pumping surplus Delta water at Banks until all SWP contractors' demands are satisfied, including demand for Article 21 water. This rule has constrained EWA ability to repay debt. The biological opinion covering the EWA provides that water available above specified amounts of Article 21 deliveries may be shared with EWA to allow repayment of debt. DWR can apply this rule consistent with the biological opinion. This would protect EWA assets while reducing SWP Article 21 supplies.

C. **Actions to Reduce Risks Due to Levee Collapse from an Earthquake or Flood**

C1. **Secure State Approval and Funding for a Delta Levees Emergency Preparedness and Response Plan**. In February 2006, the Board directed staff to work with the State Water Contractors and DWR to develop a Delta emergency preparedness and response plan to reduce water supply impacts with the most cost-effective means of prevention and response. In April 2007, the Board directed staff to work toward implementation of a "Post-Event Strategy" in which materials would be pre-positioned to allow for a quick response to an earthquake or other disaster, bringing the SWP back on-line within six months.

DWR is working with Metropolitan and the State Water Contractors to integrate these water supply protections into an interim report to the Emergency Operations Plan for the Delta with a goal of securing initial funding this year. This will more fully define the pre-positioning of stockpiles, improved emergency contracting capabilities and response mechanisms for a severe levee failure emergency.

State Propositions 1E and 84 both contain funds that could be used for this emergency response plan. Some costs may not be covered by Propositions 1E and 84 funds and may be attributed to the State Water Project. In that event, Metropolitan would be responsible for its share of those costs.

D. **Actions to Select and Finance Early Start "No Regrets" Ecosystem Restoration Projects**. The following is a potential list of ecosystem restoration projects that are being analyzed as part of an early implementation of the Bay-Delta Conservation Plan. It is anticipated that these projects could be funded through existing bond funds (Propositions 1E and 84) and possibly with additional funds provided by SWP contractors and others. Many of the proposed measures would assist fisheries in the Delta by creating new or improved habitat. The goal is through cooperation with environmental groups and other water agencies to accelerate their projects.

D1. **Restore Tidal Marsh at Meins Landing in the Suisun Marsh**. The Suisun Marsh has largely been managed as non-tidal seasonal wetlands for waterfowl and other birds. Restoration of brackish tidal marsh would improve habitat for native fish in an area where they are less vulnerable to the Delta pumps. In 2006, the Department of Water Resources purchased 600 acres of land at Meins Landing. The cost of restoring this land to tidal marsh is estimated at $1 million to10 million depending upon restoration land sculpting.

D2. **Expedite Implementation of the Dutch Slough Tidal Marsh Restoration Project**. The 1,200-acre Dutch Slough site is owned by DWR and has approved restoration plans and a draft EIR that makes it ready for implementation. The estimated restoration cost to restore the land to tidal marsh is $10 million to $30 million depending upon final restoration plans.

D3. **Acquire and Begin Restoration of Decker Island**. Decker Island, adjacent to the Sacramento River, is currently for sale. In the 1920s, the island was a wetland that was covered by over 20 feet of dredged spoils from the dredging of the Sacramento River. Removal of the over burden materials could result in approximately 400 acres of restored tidal marsh along the main migration corridor and habitat area for native species. Experts believe Decker Island could be significant regional food source in a prime location. As an added benefit, this project could contribute significant material to address Delta stability issues and create new habitat. The estimated cost is $8 million for land acquisition and up to $50 million for removal of dredged fill material.

D4. **Acquire and Begin Restoration of Tidal Wetlands in the Cache Slough Region**. There are over 3,000 acres of farmland that lie within the inter-tidal elevation in the Cache Slough Region. These lands could be converted to tidal wetlands that would significantly contribute to the food web. The estimated cost is $1 million to$10 million depending upon land acquisition costs.

D5. **Modify Fremont Weir to Allow Pulse Flows into Yolo Bypass for Improved Fish Passage**. This project would construct a fish passage and flow control facility at the Fremont Weir capable of passing short flow pulses for periodic inundation of the Yolo Bypass. Periodic inundation provides excellent rearing habitat for juvenile salmon and splittail and critical spawning habitat for the splittail. Modification of the Fremont Weir could also allow improved fish migration through the bypass, permitting juvenile salmon to bypass the Delta Cross Channel and other hazards associated with migrating through the Delta.

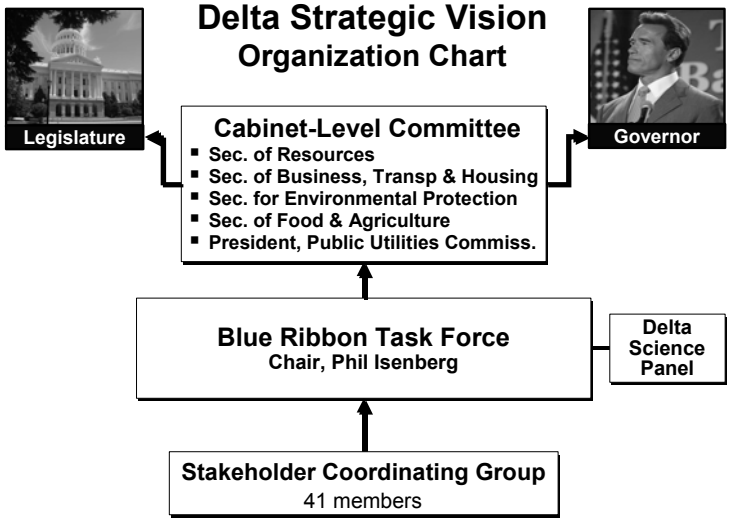
D6. **Expedite Implementation of the McCormick-Williamson Tract Tidal Marsh Restoration Project**. The Nature Conservancy (TNC) owns the 1,500-acre site and has developed restoration plans and a draft Environmental Impact Report that make it ready for implementation. TNC purchased McCormack-Williamson Tract and Staten Island with funding from the CALFED Bay-Delta Program totaling roughly $34 million. McCormack-Williamson, in particular, has ideal topography for a mosaic of habitats. The estimated cost is $1 million to $10 million depending upon restoration plans.

E. **Select a Preferred Water Supply/Quality Alternative Under the Long-Term Delta Vision Process**. In September 2006, Governor Schwarzenegger established by Executive Order the Delta Vision Process. The purpose of this effort is to develop recommendations for a sustainable Sacramento-San Joaquin B**a**y-Delta.

In February 2007, the Governor appointed a seven-member Blue Ribbon Task Force to recommend a long-term vision for the Delta to a five-member cabinet-level committee, which will ultimately make a recommendation to the Governor. The Governor also appointed 41 stakeholders, including General Manager Jeff Kightlinger, to the Stakeholder Coordination Group, which will provide advice to the Blue Ribbon Task Force.

The schedule for recommendations to the Governor by this Blue Ribbon Task Force and Stakeholder Panel are:

- Jan 2008 – Findings and recommendations report on a preferred long-term Delta Vision
- Oct 2008 – Release of a Strategic Implementation Plan for funding and implementation of a preferred long-term Delta Vision



The Delta Vision Process will review a number of elements in developing their findings and recommendations. These elements will include: ecosystem restoration, water supply reliability, water quality enhancement, flood control and levee stability, water storage, governance, financing, and others.

F. **Select a Governance Strategy to Implement and Operate New Delta Facilities and Ecosystem Restoration Elements in the Delta Vision and Bay-Delta Conservation Plan**. Selection of a long-term Delta Vision will likely include a recommended strategy to govern possible new water supply conveyance infrastructure and implementation of ecosystem restoration projects. Staff is currently analyzing multiple models and options for improved governance. One promising alternative being discussed is the creation of two new entities:

- Bay-Delta Conservancy – this entity would implement and operate ecosystem restoration projects in the Bay-Delta region. It would set ecosystem restoration goals, and coordinate with operating entities. It would also have the ability to accept private and public funding.
- Joint SWP & Delta Conveyance Infrastructure Entity – this entity would combine the operations and management of the State Water Project and new Delta conveyance infrastructure.

The objective of these two new entities is to provide public confidence in operations, management, and governance to the public, to assist in ensuring environmental restoration, water quality and supply reliability goals are met, and to combine management functions of new and existing water supply infrastructure. Existing models for this type of governance structure currently exist in the western United States.

G. **Select a Financing Strategy to Implement and Operate New Delta Facilities and Ecosystem Restoration Elements in The Delta Vision and Bay-Delta Conservation Plan**. Selection of a long-term Delta Vision will likely include a recommended strategy for funding the infrastructure elements and ecosystem restoration program elements.

In April 2006, the Metropolitan Board approved a set of policy principles regarding long-term actions for the Sacramento-San Joaquin River Delta. This included the following policies related to financing:

- Long-Term Solutions Must be Cost-Effective and Fairly Apportion Costs to All Beneficiaries: Long-term Delta solutions must seek to minimize the combined costs of in-Delta and outside-the-Delta actions, including actions identified in regional integrated resource management plans. Cost-sharing agreements must reflect an equitable allocation of costs among the multiple beneficiaries of the Bay-Delta. All entities that contribute to adverse environmental impacts or benefit from Delta improvements should pay

their fair share of costs. Long-term investments in the Delta must be consistent with a sound long-term vision for the Delta's physical structure to avoid the possibility of significant stranded costs.

- Implement Least-Cost Strategies: Because of solutions to this policy challenge will be expensive to taxpayers, utility ratepayers and consumers, it is imperative the long-term Delta policy leads to the implementation of reliable, sustainable least-cost strategies. These strategies should be consistent with regional integrated water management plans, including water use efficiency actions. While any solution will be expensive, the least-cost options should be strongly considered because of the competing needs for other infrastructure.
- All Beneficiaries Must Pay Their Fair Share: All entities that benefit from Delta improvements or contribute to adverse environmental impacts should pay their fair share of costs. Cost-sharing agreements must reflect an equitable allocation of costs among the multiple beneficiaries.
- Secure State & Federal Funding Contributions for Broad Public Benefits: The broad public benefits of actions to sustain the Delta should be funded with continued contributions from the State General Fund, general obligation bonds, and federal appropriations for the implementation of Delta-related policies.
- Encourage Continued Regional Investments: State policy should encourage continued statewide implementation of conservation and local and regional investments, consistent with the policies of local and regional water supply agencies.

VII. Mid-Term Action Plan

The focus of the mid-term action plan is maintaining and managing the current Delta system while a long-term solution is being implemented. These include: (1) funding and implementation of early start "no regrets" ecosystem restoration projects; (2) securing long-term operating permits for the State Water Project under the Bay-Delta Conservation Plan; and (3) developing an implementation plan and environmental documentation for the preferred long-term Delta Vision. Specific elements in the Mid-Term Plan include:

A. **Develop Legislation for the Recommended Delta Vision Alternative**. Authorization of new state facilities and funding of the public share of the recommended Delta Vision projects will likely require legislation. Metropolitan should pursue legislation that addresses all Delta issues in a comprehensive package.

B. **Develop an Implementation Plan and Environmental Documentation for the Recommended Delta Vision Alternative**. On January 2008, the Governor is scheduled to release his recommendation on a long-term Delta Vision. Following that release, the Department of Water Resources and CALFED, in coordination with Delta stakeholders, will begin preparation of environmental documentation and modeling analysis as needed. The scheduled completion date for this effort is mid-2009.

C. **Secure Potential Changes to State Water Resources Control Board Standards based on Recommendations from the Delta Vision Process**. The recommendations from the Delta Vision process and the Bay-Delta Conservation Plan may trigger actions at the SWRCB to revise permits of the export projects. Permit changes would be due to likely changes in operations and reservoir release patterns.

D. **Continue Habitat and Fishery Improvements to Reduce Conflict with Water Supply Operations**. In addition to the habitat and fishery improvements being implemented under the Bay-Delta Conservation Plan, continue to support implementation of other ecosystem improvements to reduce conflicts with water diversions, such as:

D1. **Franks Tract – False River Operable Test Gate**. This project is being analyzed to examine its ability to reduce entrainment of Delta Smelt that are present in the central Delta and lower San Joaquin River. The estimated cost is approximately $30 million to $50 million depending upon mitigation.

D2. **Old-Middle River Siphon** – A project that would build a siphon from Middle River under Old River, along with temporary tidal gates, appears to be a promising project that would effectively move the

SWP's intake away from endangered fish species while adding a large area for new habitat in Old River.

E. **Complete Bay-Delta Conservation Plan and Acquire Permit Assurances for Long-Term Operations**. The Bay-Delta Conservation Plan (BDCP) is a comprehensive plan to address the ecosystem needs of the Delta and associated sensitive aquatic species and to provide a mechanism for the issuance of incidental take permits pursuant to the Federal Endangered Species Act (FESA) and the State Endangered Species Act (CESA) for SWP and CVP operations within the legal Delta. The BDCP is being prepared to provide ESA coverage under the Federal law pursuant to Section 10 for the SWP contractors through the development of a Habitat Conservation Plan (HCP). The BDCP will also be used for the issuance of a Biological Opinion pursuant to Section 7 of FESA to the Bureau of Reclamation and the CVP contractors. For SWP compliance with CESA, the BDCP is being prepared to meet the substantive requirements of a Natural Community Conservation Plan (NCCP) that would provide long-term assurances under CESA. However, the DWR and the SWP contractors may seek State take authorization under Section 2081 of CESA rather than through an NCCP. In this event, the BDCP will serve as the foundation for a 2081 permit applications and associated mitigation program.

The development of the BDCP and associated Environmental Impact Statement/Impact Report is scheduled for completion during the third quarter of 2009.

VIII. Long-Term Action Plan

The focus of the long-term action plan is to ensure that the Delta Vision addresses long-standing fundamental issues/conflicts in the Delta and adopts a comprehensive, global approach to a Delta solution that results in a truly sustainable Delta. The elements of a Delta plan include:

A. **Delta Restoration and Habitat Protection**. The entire Bay-Delta ecosystem needs restoration that is broader than the Bay-Delta Conservation Plan which is focused on issues related to water supply. Components of this restoration package are as follows:

- **Bay-Delta Conservation Plan** – fishery focused projects providing habitat planning and assurances for the water projects and other infrastructure.
- **Habitat Land Restoration** – part of Delta restoration will be a focus on acquiring and restoring land for environmental benefits.
- **Sustainable Agriculture** – a program to maintain agriculture within the Delta in ways that limit oxidation of peat soils, rebuilds islands, and limits carbon production.
- **Governance** – an authority or conservancy with land use authority within the Delta should be established to manage the restoration.
- **Financing** – restoration should be cost-shared by multiple parties that include water users, owners of other in-Delta infrastructure, a state share for broad-based public benefits, and developer fees from in-Delta development, among others.

B. **Water Supply Infrastructure.** As part of the comprehensive approach to Delta issues, conveyance of water through or around the Delta must be addressed.

B1. **Infrastructure –** The Delta Vision process should thoroughly analyze the approaches recommended in the PPIC report that call for either an isolated facility or reduced exports.

a. **Isolated Facility –** If an isolated facility approach is recommended, it should be located and sized to address seismic safety issues and issues associated with Global Warming such as higher run-off rates and a rising sea level.

b. **Eco-Delta/Reduced Exports** – A recommendation for this approach must address the economic consequences of developing adequate replacement water as well as deal with permitting of alternative projects such as ocean desalination.

B2. **Governance** – A separate agency should be created to govern and operate the State Water Project including any new Delta water supply infrasture. This agency would be created under state law and be subject to all requirements of law, regulated by the state resource agencies and State Water Resources Control Board. This would allow DWR to focus on its mission as the state's water planning agency and eliminate the confusion created by the state regulating its own activities.

B3. **Financing** – The beneficiaries should pay for any new infrastructure so the state and federal contractors would contract to pay for an isolated facility. A reduced exports approach should be state funded with funding for replacement water.

C. **Flood Control and Storage –** The third component of a comprehensive approach would be construction of flood control and storage facilities. These actions would include levee hardening in critical areas, construction of bypasses to deal with increased runoff associated with climate change and construction of more storage, either surface water or groundwater storage.

C1. **Governance –** No new governance structure is recommended for this component. Existing agencies such as the Army Corps of Engineers, the Bureau of Reclamation, and DWR should manage the flood control projects. New storage facilities should be managed by the agencies that construct them.

C2. **Financing** – The state and federal governments should be responsible for the costs of flood control facilities. New storage facilities should be financed by the beneficiaries of those projects with state financing for the broad public benefits associated with those projects.